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C O N F I D E N T I A L SECTION 01 OF 02 LAGOS 000397

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STATE PASS USAID FOR NFREEMAN, GBERTOLIN
AFRICOM FOR CGAY

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TAGS: [ECON](#) [ENRG](#) [PGOV](#) [NI](#)
SUBJECT: NIGERIAN POWER PROJECTS SHOW PROMISE

Classified By: A/CG J. Richard Walsh for reasons 1.4(B) & (D)

¶1. (C) SUMMARY. Various types of electrical power projects that derive power from coal, gas and even waste sludge are appearing in Nigeria. However, regulations make it difficult to finance such projects, and the diesel generator cartel presents a formidable obstacle to true change. END SUMMARY

Power and Waste Management

¶2. (C) First National Energy Renewable (FNER) is proposing to take 6,000 metric tons of daily municipal waste from Lagos, the largest city in Africa with an estimated population of 18 million, and use it to generate power. FNER Managing Director Geoffrey Onyejegbu told USTDA representatives Jason Nagy and Nathan Gazzetta on September 9 that the feedstock for this plant will be the sludge left over from the water treatment process. The sludge will be turned into energy using U.S. company Thermogenics' gasification process. A single plant would generate 6.7 - 7 megawatts.

Power With No Where to Go

¶3. (SBU) FNER still needs to identify a reliable recipient for its power. FNER is proposing to build power plants around both industrial and residential clusters because of shortcomings in the national grid. The power would be wired directly to the companies and/or residences. A mini-grid could be created in this way.

¶4. (SBU) Manufacturers Association of Nigeria (MAN) Managing Director Jide Mike recently told Emboffs about MAN's intention to build a series of 5-7 megawatt gas power plants around industrial clusters in order to bypass the weak electrical grid. MAN wants to build a 20-50 megawatt power plant per industrial cluster. MAN hopes to build in both Apapa and Ikeja in Lagos State. Elsewhere, MAN is targeting Ibadan, Kano, Kaduna and Port Harcourt. The first location, a 20 megawatt power plant, will be in Amu and is scheduled to be operational in December 2009. Nine companies are in discussion with MAN to provide the 20 power plants. Two companies are from Brazil, seven from South Africa, and two from China. GE is also involved in discussions.

Coal Resurfacing as Power Source

¶5. (SBU) EconOff and Nigeria Desk Officer visited the defunct coal mine in the "Coal City" of Enugu on September ¶11. The mine was started in 1956 to supply a coal-fired power plant and has not produced coal since 2003. Nigeria is opening up bidding for companies to privately operate the mine and build a new power plant for the region. The coal is mined using adits, shafts cut horizontally into the hills. Mining using adits is a very efficient way to mine the coal cheaply and safely, according to mine assistant General Manager Frank Amanoh. Coal from the Enugu mine is bituminous, with lignite. Nigeria has two other coal mines in the middle belt that are being mined by the Chinese, Amanoh said.

OBSTACLES

¶6. (C) Current regulations do not allow banks to attach notes to electric power projects, thereby slowing development, according to UBA Bank Divisional Head Yomi Odedeyi. He added that the Geometric IPP (Independent Power Project) is successful because it is excised from the national grid.

¶7. (C) Nigeria must also figure out how to deal with the diesel generator cartel and the huge revenue associated with their sale and fuel supply. &ThisDay8 newspaper reported on September 28 that Nigerians spend USD 5.4 billion a year on diesel for generators. Running a generator is like having to

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pay for an additional car due to fuel and maintenance costs. The number one obstacle to power development is the iron grip of Zenon MD Femi Otedola on the importation of diesel into the market. He stands to lose a bundle if other sources of power are developed. Otedola has a net worth of \$3.5 billion and is the 601st richest person in the world, according to Forbes magazine, but his name appeared on the Central Bank of Nigeria's second list of alleged bank loan defaulters.

WALSH